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Practical Insights from IMANI-GIZ Reform Dialogue on What the African Continental Free Trade Area (AfCFTA) mean for Ghanaian Businesses

Accra, 19 March 2021 — IMANI Centre for Policy and Education ("IMANI CPE") and the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH ("GIZ") on 10 March 2021 held the 2nd IMANI-GIZ Reform Dialogue to explore what the African Continental Free Trade Area (AfCFTA) means for Ghanaian businesses. The dialogue sought to provide information to the Ghanaian business community on how they can practically take advantage of the continental trade deal. The event took place at the Alisa Hotel, with 50 invited industry representatives and over 100 other participants joining virtually. This comprised of business owners, financial institutions, industry leaders, academics, trade experts, and allied entities.

Key discussion points

1. Practicalities of AfCFTA and Not Mere Theorisation

The participants highlighted the need to go beyond rhetoric and theorisations to ensure member states implement the protocols under the AfCFTA. This is because previous sub-regional trade agreements failed to deliver due to the lack of commitment from member states. **Professor Godfred Bokpin**, *a Senior Fellow* at IMANI CPE and Professor of Finance at the University of Ghana Business School, argued that much of what has been discussed regarding AfCFTA represent intentions. Thus, there is much work to be done to translate the hypothesised benefits or gains into actualities that create decent and sustainable African jobs. **Ms Dorothee Dinkelake**r, *the Head of Development Cooperation* at the German Embassy, also highlighted that a framework alone is not sufficient. Hence, member countries need to effectively implement, practice and live the protocols of the AfCFTA every day. Participants unanimously agreed that knowledge of the AfCFTA among businesses is generally low, and the government, with other key players, must take steps to address it. This knowledge will ultimately be utilised by businesses, for example, to expand their production capabilities by leveraging the opportunities that AfCFTA presents.

2. Cost of Production and Ease of Doing Business in Ghana

Panellists also raised concerns about the cost and the ease of doing business in Ghana. Traders and importers raise red flags on the current state of cost of borrowing, utility tariffs, the cost of production in Ghana and the cost of doing business in general. **Mr Sampson Asaaki Awingobit**, *Executive Secretary* of Importers and Exporters Association, expressed surprise at how the government made efforts to provide funding for businesses and other initiatives under the 'One District One Factory' initiative, but the government is not doing much under AfCFTA.

Dr Joseph Obeng, *President* of Ghana Union of Traders Association (GUTA), also argued that there are pricing advantages, quality advantages, suppliers' credits, and Eximbank credits that traders enjoy when trading with other continents as compared with trading under the AfCFTA and traders will compare which one is favourable before making their trading decisions. Currently, the traders compare the tariff-reduction system under the AfCFTA as against trade with other countries which may attract tariff and conclude that only a negligible net-cost will be involved. Thus, the government should create the needed business climate to enable traders to benefit from the trade area and take advantage of it.

Mr John Awuah, the *Former CEO* of The Ghana Association of Bankers, indicated that just like the way banks are ready to adjust to new political administrations, they are also prepared for the new trade regime under the AfCFTA. He notes that Ghanaian banks stand ready and are looking for the business community to stand prepared as they approach their various financial institutions to pursue the agenda of AfCFTA. He notes that a lot of banks have now set up AfCFTA desks within the export or corporate departments to address the needs of companies or investors who want to take advantage of the free trade area. He however indicates that the key problem is not bank-driven but rather a national problem that must be addressed to position businesses to take advantage of the trade area.

3. Value Chain Approach and Comparative Advantage

Participants also raised concerns about the low or little value addition that continues to characterise trading in Ghana. In this regard, it was proposed that Ghana needs specificity and be clear on the products or value chains that can generate the needed comparative advantage nationally. In supporting these arguments, **Mr Nlaliban Wujangi**, *CEO* of Agriculture and More, indicated that agriculture sector players have so many questions lingering on their minds. Although there is an anticipation of the benefits of the AfCFTA, there is the risk of competition. He believes the success of the AfCFTA will depend on the individual successes of the participants across the various value chains and not a vague national metric that could be overly politicised. He believes that Ghana needs to look at the value chains and advance them instead of developing ad-hoc measures in the agriculture sector. **Mr Seth Akwaboah**, *President*, Association of Ghanaian Industries (AGI) noted that despite some work being done under the auspices of The Ministry of Trade (which set up technical committees), there is no clear country strategy and action plan for industries or businesses in Ghana when it comes to AfCFTA.

Mr Francis Holly Adzah, *International Business Executive* of Kasapreko Company Limited, explained that the standardisation and approval processes for their products (which is one of the first Ghanaian business to trade under the AfCFTA) in Ghana was smooth at all stages - some bureaucratic barriers have been removed. However, at the other end, they have to go through cumbersome bureaucratic processes in South Africa, and thus they could not clear their products on time, costing the company much money. He called on policymakers to be involved because although Kasapreko and Ghandour Cosmetics were touted in Ghana as companies making strides under the AfCFTA, the challenges are real. In his own words, he notes that "it did not work out".

4. Sanitary and Phytosanitary Standards and Intellectual Property

Professor Alex Doodo, *Director General* of Ghana Standards Authority (GSA), indicated that Ghanaian businesses could meet the best available international standards in several value chains. This includes bottled water and soft drinks produced in Ghana. However, under AfCFTA and considering SMEs, he pointed out that the major challenge remains whether such SME businesses understand the standard regime as captured in Annex 6 of the AfCFTA agreement. Professor Doodo explains that GSA is facilitating the standards regime in three (3) main ways: (1) enforcement; (2) harmonisation of the work of the GSA, The Food and Drugs Authority (FDA) and Ghana Export Promotion Authority (GEPA); and (3) graduated certification for businesses. He indicated that despite the progress being chalked, there is much to be done to enhance Ghana's standards regime.

Mr Kwabena Asante Offei Esq., *Executive Secretary* of Pharmaceutical Manufacturers Association of Ghana, indicated that the AfCFTA provides an opportunity for Ghana's pharma industry to project its vision of becoming Africa's pharmaceutical hub within the shortest possible time. Out of about 200 pharmaceutical manufacturing firms in West Africa, about 150 are from Nigeria, and Ghana has about 30-35 while the others are in other African countries. Ghana has a higher number on a per capita and quality basis. He noted that most of the firms are, however, producing below their capacity. For example, the four (4) firms producing infusions (or drips) in Ghana produce up to only about 50 per cent of their total capacity. These firms alone could produce for the entire West African sub-region. He also explained that most pharmaceutical products produced in Ghana have their Intellectual Property (IP) rights expired, so the businesses do not encounter any problems.

5. Full Membership and Trade in Services

Mr Louis Afful, *Executive Director* of AfCFTA Policy Network, explained that the challenges are already being reported when it comes to implementing the AfCFTA before the opportunities surface. He noted that his team joined the processes that led to drafting the various policies under the AfCFTA. He lamented that the difficulty is that countries that are not full members will create a problem as only full members can benefit fully from both export and import. The entire membership is under three (3) stages: (1) signing, (2) ratification, and (3) depositing of the instrument of ratification. He noted that some countries have either not ratified or deposited their instruments and dealing with such countries can create problems like the disregard of the protocols by state actors. He lamented that the AfCFTA is all about African products, and as it stands now, the AfCFTA Secretariat is not adequately resourced and equipped.

Mr Louis Afful pointed out that the issues about Trade in Services (the sale and delivery of an intangible product, services) remain a major area of concern. He further noted that banking services would fall under the entire AfCFTA engagements, and it should not be limited to only the AfCFTA desks that banks are creating. He stated that about 41 African countries have pledged to be full member states by July 2021. The six countries with the largest budget under the AfCFTA mostly belong to the Arab Maghreb Union (AMU). These countries have ratified but are not full members. Algeria and Morocco alone have closed their borders for several years yet are part of the major countries that finance the Africa Union and AfCFTA. He also noted that discussions on the rules of origin about 81 per cent completion, and the remaining aspect are the crucial aspects which touch on value addition. The inability to fully negotiate the value addition aspect, which is the most vital, is a key challenge. It will be difficult to determine value-added issues if that is not done.

Way Forward

1. There is a need to deepen education and engagement on the potential benefits and challenges of the AfCFTA for Ghanaian businesses. For example, for SME businesses to understand Ghana's standards regime.
2. Given the low or little value addition that continues to characterise trading in Ghana, there is a need to increase engagements on the products or value chains that can generate the needed comparative advantage nationally.
3. There is a need facilitate the needed partnerships and collaboration between the private and public sectors of the economy to enable investments under the existing programmes to derive the international trade gains under the AfCFTA.
4. Additional work is needed to bring down the current high-cost borrowing and high utility tariffs, increasing the production cost in Ghana and doing business in general. These serve as a disincentive to increasing the multiplier gains of the AfCFTA in Ghana.
5. Effective policy choices will be based on the quality of the stratified trade-related data collected by the relevant stakeholders. It is thus important for institutions like the AGI and other government institutions involved in trade-related matters to collect stratified data to monitor progress in AfCFTA-driven trade.

About The IMANI-GIZ Reform Dialogue

The partnership between the two entities aims to carry out six (6) policy dialogues to improve Ghana's investment climate. The **first dialogue took** place on 26 November 2020. It explored the challenges and opportunities created by the COVID-19 pandemic for Ghanaian businesses. Future dialogues will assess how corruption affects Ghana's business climate, business taxation, registration and regulation, and access to electricity, among others.

Contact

IMANI Centre for Policy and Education
info@imanighana.org